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### **Trade Advisory Groups Report on U.S.-Central America FTA**

WASHINGTON - The Office of the United States Trade Representative today transmitted to the President and the Congress reports from 32 trade advisory committees, comprising more than 750 practitioners representing diverse interests and views, regarding the recently completed U.S.-Central America Free Trade Agreement (CAFTA), covering Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The Trade Act of 2002 requires these committees to prepare reports on proposed trade agreements for the Administration and Congress. Support for the agreement was widespread among nearly all the committees, with several senior-level committees noting that the agreement goes beyond the Chile and Singapore FTAs in important respects.

"The trade advisory committee reports show that CAFTA is a cutting edge, modern free trade agreement that will expand economic freedom and support democracy. Most U.S. imports from Central America are already duty-free. As our advisory committees have confirmed, this agreement will level the playing field and open new opportunities for American manufactured goods, farm products, and services," said U.S. Trade Representative Robert B. Zoellick. "The reports show that small countries can be big export markets for the United States. CAFTA will expand opportunities for U.S. exports in everything from construction equipment to high-tech software, from fruits and vegetables to financial services."

Support for the agreement was widespread. The Advisory Committee for Trade Policy and Negotiations (ACTPN), which is appointed by the President and is the most senior committee, called CAFTA "an exceptional agreement with a large trading partner." ACTPN said, "the agreement meets or exceeds the negotiating achievements of the recently implemented Chile and Singapore agreements, and in many ways has set the highest standard yet achieved in free trade agreements. [CAFTA] will level the playing field for America's farmers and ranchers, factories, and service establishments...and does so in a manner not disrupting the U.S. economy." ACTPN took special note of the CAFTA's anti-corruption provisions, calling them "the strongest to date in any free trade agreement."

A majority of the Trade and Environment Policy Advisory Committee (TEPAC) commented "with satisfaction that environmental issues in this agreement appear to have obtained a higher profile than in last years' agreements with Chile and Singapore." The TEPAC report highlighted the CAFTA's new public participation provisions and the State Department's side agreement on

environmental cooperation (ECA). TEPAC said, "these new provisions, which were not present in the Chile or Singapore Agreements, will enhance the ability of citizens with reasonable environmental concerns to have those concerns heard." TEPAC urged that the Secretariat for the environmental provisions of the Agreement be given sufficient staff and financial resources to accomplish the objectives outlined in the ECA, and said this be done expeditiously to understand fully the environmental implications of the CAFTA. TEPAC also commented that the investor-state provisions "are analogous to those in the Chile and Singapore Agreements and are an improvement over those in the North American Free Trade Agreement (NAFTA)." A number of detailed separate and additional views from TEPAC members addressed such issues as investment, market access for sugar, intellectual property protection for pharmaceuticals, and environmental procedures.

Broad support was also expressed for CAFTA by advisory committees on services, manufactured goods, and intellectual property. These committees highlighted the comprehensive nature of the agreement, its rapid elimination of tariffs on U.S. exports, the provisions eliminating restrictive dealer laws, and the positive effect of improving the investment climate through anti-corruption and transparency provisions. The reports noted that protections for intellectual property and digital products go beyond the recent U.S.-Chile FTA. The report of the services committee pointed out that the CAFTA liberalization commitments in services are "very substantial," particularly in areas such as cross border services trade, telecommunications services, and financial services. Some committees noted that Central American tariffs on a few industrial products will not phase out immediately, but acknowledged that smaller developing economies may need additional time to adjust to competition. Many textile industry and all apparel industry committee members agreed that a free trade agreement with the Central American countries could play a vital role in developing a strong and successful supply chain between the U.S. and Central America.

Agricultural advisory committees, with one exception, voiced broad support for the agreement. The senior-level Agricultural Policy Advisory Committee (APAC) said, "the comprehensive agreement calls for eventual duty-free, quota-free access on essentially all [farm] products and addresses other trade measures among the parties." The agreement won support from most agricultural technical advisory committees, who stressed the increased market access CAFTA will provide for U.S. farm goods such as poultry, pork, high-quality beef, dairy, fruits and vegetables, grains, feeds, oilseeds, and processed foods. The producer interests represented on the sweetener committee expressed opposition to CAFTA because it includes provisions on sugar, while sweetener users expressed disappointment that greater liberalization had not occurred.

The committee of state and local government representatives (IGPAC) expressed support for the CAFTA, finding that "the agreement advances trade development in a manner generally beneficial to our national, regional and local economies." The committee stressed the importance of ensuring that trade agreements continue to respect the authority of state and local governments to regulate in areas under their jurisdiction. Some committee members suggested clarifications on provisions affecting state and local governments, such as investment and investor-state dispute settlement, procurement, and the terms and conditions for adding the Dominican Republic to the CAFTA. One IGPAC member expressed a concern about textiles

imports. IGPAC also offered a number of suggestions to build on recent improvements made by USTR in federal-state consultation on trade agreements.

As it did with regard to the Australia FTA, the Labor Advisory Committee (LAC) urged Congress to reject the agreement, alleging deficiencies in local labor laws. Other criticisms in the LAC report are similar to the committee's criticisms of all U.S. free trade agreements negotiated under Trade Promotion Authority, such as alleged non-equivalence of dispute settlement procedures and opposition to provisions on investment, intellectual property, and government procurement. Similar views were expressed in a dissenting opinion from the ACTPN report, received from a labor union representative on that committee.

The full text of the advisory committee reports are available on the USTR website, [www.ustr.gov](http://www.ustr.gov).

## **Background**

The trade advisory committee system was established in the Trade Act of 1974. The purpose of the system is to ensure that the Administration receives advice and assistance from a broad range of stakeholders in setting U.S. trade policy and developing balanced U.S. positions in trade negotiations. The advisory program is run jointly by five federal agencies: USTR, the Department of Commerce, the Department of Agriculture, the Department of Labor, and the Environmental Protection Agency. USTR is the lead agency.

The advisory groups are made up of more than 750 cleared advisors from business, agriculture, labor, environmental groups, consumer groups, state and local governments, as well as academic experts and retired U.S. government officials.

There are 32 advisory committees which meet with U.S. trade officials to provide advice on proposed and on-going trade initiatives. In FY03, more than 150 advisory committee meetings were held. In addition, USTR and other agencies keep advisors informed by e-mail and the Internet of important developments in trade negotiations. More than 125 such communications were sent to advisors in FY03.

During the course of negotiations, advisors review confidential texts and are asked to provide advice and input. The text of the CAFTA was made available to the general public on January 28, 2004, only three days after conclusion of negotiations and three weeks before the President notified Congress of his intent to enter into the agreement. This follows last year's suggestion from advisors that texts be made publicly available as soon as possible upon conclusion of negotiations.

Other recent improvements in the advisory system include daily webcast briefings at trade ministerial meetings, more frequent briefings during the concluding phases of trade negotiations, a secure website for review of documents, and a complete re-structuring of the industry sectoral and functional advisory committees to reflect the changing makeup of the U.S. economy.